

Steel Price Increase, 11/76-12/76

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National Steel Corporation

UNTC
12/12
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November 24, 1976

MEMORANDUM RE INCREASE IN
PRICE OF SHEET STEEL PRODUCTS
EFFECTIVE DECEMBER 1, 1976

National Steel is today announcing an increase in the price of steel sheets (hot rolled, cold rolled and galvanized), effective December 1. Attached is a copy of a letter to the Council on Wage and Price Stability which was delivered today, outlining the reasons for this action and supporting data. Also attached is a copy of the press release announcing the action.

It is possible that President-Elect Carter may wish to have the facts with regard to this increase in connection, particularly, with questions which may be asked by the media. Hence, these documents are being made available for his possible use and that of his staff.

While the attached documents set forth what we believe to be the pertinent data and circumstances, we would like to emphasize several points:

First, the new prices represent a pass-through of only a part of cost increases which continue to mount up. For example, labor costs were recently (August 1 and November 1) raised under the terms of the industry's labor agreements; energy costs, particularly for electric power and natural gas, have also risen steadily. Total cost increases over pertinent periods exceed this price increase.

Second, pricing of sheet products has lagged well behind other steel products by a wide margin, to such an extent that the profitability of sheet products has been severely impacted. Needed capital improvements, modernization and expansion are directly dependent on profit margins, since it is not feasible to finance these outlays from further heavy borrowings of the type made in the past five years. Steel industry profitability stands near the bottom end of profits for all manufacturing business in the United States. Further erosion in these low margins can raise severe problems for National Steel and the steel industry.

Third, any inflationary impact from this increase will be minimized by these circumstances:

ELECTROSTATIC REPRODUCTION MADE FOR
PRESERVATION PURPOSES

a. A somewhat similar increase was announced by steel producers in August, 1976, to be effective October 1, and was later withdrawn because of factors in the market place. Many purchasers of sheet steel products have already factored an increase into their costs on the expectation that a rise in price would occur.

b. Because of the lag in pricing of sheet products (by comparison with other steel products), this increase will not necessarily trigger other steel increases.

c. The business outlook for the steel industry has improved in the last few weeks, indicating that the "pause" encountered in market conditions has largely arisen from inventory adjustments. Prospects for the first quarter of 1977 are brighter, thereby ameliorating the impact of these increases.

We will be glad to respond to any questions which President-Elect Carter, or his staff, may have on this matter.

National Steel Corporation



National Steel Corporation

GEORGE A. STINSON
Chairman

November 24, 1976

Mr. William Lilley III
Acting Director
Council on Wage & Price Stability
726 Jackson Place, N. W.
Washington, D. C. 20506

Dear Mr. Lilley:

The purpose of this letter is to inform the Council that National Steel Corporation will announce today an increase in the price of sheet steel products, effective December 1, 1976. The increase in prices will amount to approximately 4-1/2% of our total revenue from all steel mill products.

We list below the sheet products to be increased and the increase per ton.

<u>Product</u>	<u>Increase Per Ton</u>
Hot Rolled Bands	\$15.00
Hot Rolled Sheet & Strip	\$16.00
Cold Rolled Sheet	\$20.00
Galvanized Sheet	\$20.00

The above price increases will raise prices on our sheet steel products by approximately 6%.

The last price increase in sheet steel products was on June 14, 1976. Since that date, our costs have continued to increase. Currently, our steel division is operating at a loss.

Exhibit "A" attached, sets forth our selling price increases from the second quarter of 1971 (beginning of Price Control Period) to the third quarter of 1976. It is apparent from this Exhibit A, that costs have risen substantially more than selling prices have in this period. Increases in the prices of sheet

Mr. Lilley
November 24, 1976
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steel products have lagged substantially behind price increases in other steel products causing the profitability of such sheet products to be severely impacted. This situation is made apparent by Exhibit "B", which sets out the 1971-76 pricing history of other major steel products. This Exhibit has been prepared using base list prices, the only steel industry information available to us on this matter.

From these Exhibits, we believe it is apparent that current prices do not cover cost increases in sheet steel products and that corrective action to bring these important products into a more competitive position with other steel products is badly needed.

The steel producers, who are substantially committed to flat rolled steel production, such as National Steel with 75% of its capacity in these product lines, have been seriously handicapped, from a profit and cash flow standpoint, compared with the producers of heavy steel products, such as; plates, structural steel and pipe.

Steel industry capital spending needs to modernize and expand remain high and can only be met if recent exceptionally low profitability levels are improved.

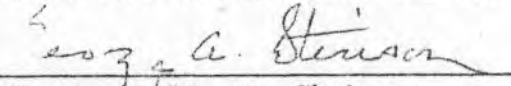
National Steel recently has expended very large amounts of cash for capital improvements and replacements. Last year (1975), this amounted to over \$313 million and for 1976 we estimate we will spend approximately \$265 million for new plant and equipment. To meet these heavy capital expenditure demands, it was necessary for National to borrow a total of \$375 million in the last two years. It is not feasible to support these programs by further borrowings. Future funds for capital expenditures must come from cash flow from profits and other internal sources. The price increases announced today are of vital importance in meeting these needs.

In addition to Exhibit "A" mentioned above, we are also attaching Exhibit "C" setting forth the cost increases for hot rolled sheets from the second quarter of 1971 to the third quarter of 1976. Exhibit "D" and "E" sets forth the same data for cold rolled sheets and galvanized sheets.

We will be pleased to answer any questions which you may have on these price increases and to supply any additional information you may require.

Very truly yours,

NATIONAL STEEL CORPORATION


George A. Stinson, Chairman

Enclosures

Price Change History From 6/30/71 - (Government Price Freeze Date) Through 6/14/76
% Increase As Related To Price on 6/30/71

<u>Base Price On:</u>	<u>Rolls</u>	<u>Structural</u>	<u>Plates</u>	<u>H.R. Bands</u>	<u>H.R. Sheets</u>	<u>C.R. Sheets</u>	<u>Galv. Sheets</u>	<u>Tin Mill Products</u>	<u>C.W. Pipe</u>	<u>Seamless Specialties</u>	<u>Seamless O.C.G.</u>
(1) 6/30/71	\$146.00	\$148.00	\$148.00	\$149.50	\$159.00	\$191.00	\$200.00	\$207.00	\$207.40	\$451.35	\$355.25
(2) 12/31/73	\$167.00	\$170.00	\$170.00	160.50	171.00	206.00	216.00	229.00	231.40	493.65	408.65
\$ Increase	21.00	22.00	22.00	11.00	12.00	15.00	16.00	22.00	24.00	42.30	53.43
% Increase	14%	15%	15%	7%	8%	8%	8%	11%	12%	9%	15%
(3) 4/30/74	\$168.66	\$196.00	\$183.00	\$163.00	\$173.50	\$206.00	\$216.00	\$239.00	\$299.50	\$598.80	\$526.20
\$ Increase	22.66	48.00	35.00	13.50	14.50	15.00	16.00	32.00	92.10	147.45	170.95
% Increase	16%	32%	24%	9%	9%	8%	8%	15%	44%	33%	48%
(4) 8/31/75	\$245.00	\$226.00	\$242.00	\$202.00	\$220.00	\$260.00	\$281.00	\$321.00	\$378.20	\$825.35	\$679.95
\$ Increase	99.00	78.00	94.00	52.50	61.00	69.00	81.00	114.00	170.80	374.00	324.70
% Increase	68%	53%	64%	35%	38%	36%	41%	55%	82%	83%	91%
(5) 10/1/75	\$270.00	\$251.00	\$257.00	\$216.00	\$234.00	\$278.00	\$308.00	\$321.00	\$398.20	\$825.35	\$704.50
\$ Increase	124.00	103.00	109.00	66.50	75.00	87.00	108.00	114.00	190.80	374.00	349.25
% Increase	85%	70%	74%	44%	47%	46%	54%	55%	92%	83%	96%
(6) 2/1/76	\$270.00	\$251.00	\$257.00	\$216.00	\$234.00	\$278.00	\$308.00	\$352.00	\$398.20	\$825.35	\$704.50
\$ Increase	124.00	103.00	109.00	66.50	75.00	87.00	108.00	145.00	190.80	374.00	349.25
% Increase	85%	70%	74%	44%	47%	46%	54%	70%	92%	83%	98%
(7) 5/1/76	\$290.00	\$251.00	\$257.00	\$216.00	\$234.00	\$278.00	\$308.00	\$352.00	\$398.20	\$836.94	\$734.50
\$ Increase	144.00	103.00	109.00	66.50	75.00	87.00	108.00	145.00	190.80	385.59	379.25
% Increase	99%	70%	74%	44%	47%	46%	54%	70%	92%	85%	107%
(8) 6/14/76	\$290.00	\$251.00	\$257.00	\$231.00	\$249.00	\$296.00	\$328.00	\$352.00	\$421.90	\$836.94	\$734.50
\$ Increase	144.00	103.00	109.00	81.50	90.00	105.00	128.00	145.00	214.50	385.59	379.25
% Increase	99%	70%	74%	55%	57%	55%	64%	70%	103%	85%	107%
(9) 7/16/76		\$271.00	\$282.00								
\$ Increase		123.00	134.00								
% Increase		83%	90%								

Note: (1) All base prices are those of U.S.S., except C.W. Pipe, Seamless Spec., and O.C.G.

(2) Note change in relationship between base prices on Flat Rolled Products vs. Plates and Structural since 6/30/71.

~~CONFIDENTIAL~~

Exhibit "C"

NATIONAL STEEL CORPORATION
AVERAGE COST DATA - HOT ROLLED SHEETS

YEAR	QUARTER	SHIPMENTS	COST PER TON				
			MILL DIRECT COST	MILL OVER- HEAD AND S.G. & A.	DEPRECIATION	INTEREST	TOTAL
1971	2nd	626,444 NT	\$112.86	\$10.48	\$7.35	\$2.38	\$133.07
1972	1st	417,283	127.39	17.00	6.97	2.99	154.35
	2nd	388,618	127.01	16.55	7.53	2.86	153.95
	3rd	442,601	131.09	17.82	7.67	2.92	159.50
	4th	506,378	131.97	17.19	6.85	2.82	158.83
1973	1st	540,706	132.56	16.28	6.66	2.23	157.73
	2nd	558,027	129.55	15.94	5.99	2.24	153.72
	3rd	602,673	131.89	16.54	6.13	2.27	156.83
	4th	644,679	134.85	16.40	5.71	2.19	159.15
1974	1st	721,090	146.13	15.69	6.28	1.66	169.76
	2nd	673,423	166.67	17.69	6.38	1.78	192.52
	3rd	685,747	185.57	18.76	6.56	1.72	212.61
	4th	645,817	188.22	18.74	5.81	1.95	214.72
1975	1st	620,967	212.48	20.96	9.15	1.96	244.55
	2nd	462,092	213.44	26.48	11.83	2.60	254.35
	3rd	516,343	219.30	24.37	11.86	2.77	258.30
	4th	451,747	222.32	28.36	11.72	2.83	265.23
1976	1st	628,272	220.45	19.78	9.63	2.48	252.34
	2nd	711,106	217.33	19.21	8.34	2.32	247.20
	3rd	690,937	224.06	20.25	9.19	3.53	257.03
INCREASE - 2ND QTR., 1971 TO							
3RD QTR., 1976			98.5%	93.2%	25.0%	48.3%	93.2%

Adjust 3rd Qtr., 1976 data to include the full pro forma effect of August 1 and November 1 wage increases and interest on long-term debt issued August 12:

DETERMINED TO BE AN ADMINISTRATIVE
MARKING BY MDE

DATE 11/2/88

Cost
Increase

\$258.92
94.6%

DETERMINED TO BE AN ADMINISTRATIVE
MARKING BY MLT

DATE 11/2/88

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NATIONAL STEEL CORPORATION
AVERAGE COST DATA - COLD ROLLED SHEETS

Exhibit "D"

YEAR	QUARTER	SHIPMENTS	COST PER TON				
			MILL DIRECT COST	MILL OVER- HEAD AND S.G. & A.	DEPRECIATION	INTEREST	TOTAL
1971	2nd	743,474 NT	\$140.88	\$13.95	\$7.05	\$2.38	\$164.26
1972	1st	560,150	154.12	17.78	7.44	2.99	182.33
	2nd	573,026	153.01	17.90	7.77	2.86	181.54
	3rd	520,154	157.54	19.29	8.33	2.92	188.08
	4th	570,846	158.87	18.31	7.61	2.82	187.61
1973	1st	711,752	160.01	16.85	7.10	2.23	186.19
	2nd	696,882	157.48	16.43	6.61	2.24	182.76
	3rd	629,584	162.07	16.95	7.12	2.27	188.41
	4th	621,712	163.54	16.47	6.64	2.19	188.84
1974	1st	607,276	175.19	16.32	7.37	1.66	200.54
	2nd	553,310	203.02	18.79	8.21	1.78	231.80
	3rd	565,213	224.53	20.10	7.73	1.72	254.08
	4th	496,443	247.16	21.54	8.80	1.95	279.45
1975	1st	368,266	260.81	22.84	13.89	1.96	299.50
	2nd	313,894	268.47	30.07	14.11	2.60	315.25
	3rd	400,837	262.40	27.19	14.04	2.77	306.40
	4th	355,379	270.86	30.86	14.26	2.83	318.81
1976	1st	535,793	266.35	22.92	11.75	2.48	303.50
	2nd	564,992	269.50	22.01	11.05	2.32	304.88
	3rd	533,371	274.50	22.91	11.19	3.53	312.13
<u>INCREASE - 2ND QTR., 1971 TO</u>							
<u>3RD QTR., 1976</u>			94.8%	64.2%	58.7%	48.3%	90.0%

Adjust 3rd Qtr., 1976 data to include the full pro forma effect of August 1 and November 1 wage increases and interest on long-term debt issued August 12:

Cost \$314.02
Increase 91.2%

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NATIONAL STEEL CORPORATION
AVERAGE COST DATA - GALVANIZED SHEETS

Exhibit "E"

YEAR	QUARTER	SHIPMENTS	COST PER TON				
			MILL DIRECT COST	MILL OVER- HEAD AND S.G. & A.	DEPRECIATION	INTEREST	TOTAL
1971	2nd	285,131 NT	\$155.30	\$18.25	\$9.39	\$2.38	\$185.32
1972	1st	233,357	176.32	16.24	9.09	2.99	204.64
	2nd	256,803	178.75	15.39	9.16	2.86	206.16
	3rd	260,691	185.64	16.92	10.05	2.92	215.53
	4th	239,952	186.51	17.63	9.74	2.82	216.70
1973	1st	293,092	184.28	15.65	8.81	2.23	210.97
	2nd	330,492	188.27	14.79	8.36	2.24	213.66
	3rd	308,091	195.54	15.91	9.23	2.27	222.95
	4th	311,156	200.85	15.05	8.31	2.19	226.40
1974	1st	321,953	219.57	14.98	9.44	1.66	245.65
	2nd	296,064	243.96	17.28	9.76	1.78	272.78
	3rd	300,382	272.10	18.56	10.02	1.72	302.40
	4th	273,229	296.65	21.66	11.32	1.95	331.58
1975	1st	195,762	306.70	25.47	21.15	1.96	355.28
	2nd	126,946	325.43	31.17	22.10	2.60	381.30
	3rd	181,120	318.43	28.11	19.91	2.77	369.22
	4th	162,497	336.72	29.56	18.91	2.83	388.02
1976	1st	239,797	319.61	22.82	16.16	2.48	361.07
	2nd	276,215	316.23	22.57	14.74	2.32	355.86
	3rd	252,057	332.41	24.84	15.83	3.53	376.61
INCREASE - 2ND QTR., 1971 TO							
3RD QTR., 1976			114.0%	36.1%	68.6%	48.3%	103.2%

Adjust 3rd Qtr., 1976 data to include the full pro forma effect of August 1 and November 1 wage increases and interest on long-term debt issued August 12:

DETERMINED TO BE AN ADMINISTRATIVE
MARKING BY MD

DATE 11/2/88

Cost
Increase

\$378.50
104.2%